From:	Nikhil Shanbhag <▉▉▉▉@google.com> on behalf of Nikhil Shanbhag
Sent:	Wednesday, February 04, 2009 1:43 AM
To:	Theoc (Google) ; Eric Schmidt; Larry Page; Jonathan Rosenberg; David Drummond; Bill Coughran; Jeff Huber; Kent Walker; Joan Braddi; Benjamin Ling; Eric Chu; Yael Shacham; Pam Shore; Nikhil Shanbhag
Subject:	Android Market Business Model GPS Notes - 2/3/2009

Android Market Business Model GPS
February 3, 2009

Attendees
eschmidt, page, arubin, jonathan, ddrummond, wmc, jhuber, kwalker, joan, bling, ericchu, yael, pshore, nshanbhag

Action Items

1. Android team: Implement Android Market rev share with 70% to developer, 25% to carrier, and 5% to Google (to cover Checkout costs)
2. Andy: Provide briefing on Sapphire and Cupcake for Eric

Key Takeaways

1. Strategy to develop an ecosystem around Android is to give developers access to volume. In order to do this, convince carriers to allow users access to Android Market by giving them a healthy rev share and keeping Google neutral.
2. Long-term strategy is to monetize on Android platform through ads once we have volume
3. Approval given for rev share scenario on Android Market with 70% to developer, 25% to carrier, and 5% to Google (to cover costs)

Summary of Discussion

1. Update on Android

The new HTC Sapphire hardware and Vodaphone partnership will be announced at MWC. Expect to see hardware from Samsung, Motorola, LG, and Sony Ericcson by end of 2009. The next OEM after HTC will be either Samsung or Motorola.

On the software side, Android 1.1 (Petit Fours) was pushed out today, Android 1.5 (Cupcake) will release in the first part of April, and Donuts will release at Christmas 2009.

In the U.S., Android is now on about 1 million phones, about 7% of the smartphone market.

The main end user complaints are: (1) battery, (2) form factor, and (3) enterprise support

Current shipping product supports free Market apps and we will launch paid apps hopefully next week (still needs a final review for Checkout functionality)
 -- without a billing system, Android apps are currently not as high-functioning

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-- we are behind on Enterprise support but ahead on multitasking

Android is currently ahead on multitasking, we have apps that cannot be built on other systems -- iSafe (uses geofencing to identify bad areas), push email, etc. We also have a great Google experience, which other platforms don't have.

2. Android Market Rev Share Discussion

The goal is to give developers volume and the ability to reach millions of users. We win when developers develop for Android because this will drive adoption.

Problem: The walled garden is the app store, where carriers still want to control everything that goes on the phone. Consumers lose when carriers maintain this control. Right now, we need carrier cooperation in order to get developers access to phones for their apps. But the carriers still feel threatened by Google.

Solution: We provide the carriers a business model by giving them a healthy rev share, making them partners in Android's success, and remaining neutral by not monetizing app sales. Then, we can monetize ANDROID later with advertising. For now, we would take 5% for Checkout processing fees; 25% goes to carrier; and 70% goes to developer. If the carrier uses their own billing system, then the carrier gets 30% and the developer gets 70%.

The other option is to immediately monetize the sale of apps for Google and collect a percentage of the sale.

Resolution: Go with the proposal where Google remains neutral and just covers Checkout costs on app sales. We may need to revisit this depending on how things shake out in the future. Also, at some point we may need to think about directly funding the development of Android apps

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